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Marketing of Farm Products in Alaska - Our 49th State

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MARKETING OF FARM PRODUCTS IN ALASKA - OUR 49th STATE 1/

Agricultural production is growing rapidly in Alaska, but farmers in our 49th State supply less than 10 percent of the food consumed there. In some areas of the State, it is cheaper to import even perishable products than to produce them locally. Milk, potatoes, eggs, and fresh vegetables are Alaska's principal farm products. Farmers generally market their products jointly through a farmers' cooperative or individually, selling directly to retailers and consumers. There are few assemblers, processors, and other dealers in locally grown farm products. Generally, products are not shipped far from the producing area. Extra shipping costs incurred by all imported foods make retail food prices higher in Alaska than in other States. Locally-produced food products also bring relatively high prices, but Alaskan farmers' costs also are higher than those of farmers in other States. The rate of growth in agricultural production in Alaska and the development of a marketing system will depend mainly on the growth and concentration of population and the proportion of the food market supplied by Alaskan farmers.

This article describes the production and marketing of farm products in Alaska and the market for imported foods, and considers prospects for further growth.

Agricultural Production

Agriculture is a small but growing sector in the Alaskan economy. Receipts from the sale of farm products totaled $3.5 million in 1959--less than 5 percent of the revenue from the fishing industry, Alaska's largest private source of income (table 7). The value of farm products sold, however, doubled between 1949 and 1959.

Cropland totaled about 23,000 acres in 1959, nearly double the acreage in 1949, and 14,292 acres of crops were harvested in 1959, compared with 6,450 acres in 1949. The Bureau of Census enumerated 367 farms in Alaska in 1960. About half of these were part-time farms, with the operators working 100 or more days off the farm. The average value of land and buildings per farm was about $43,000 in 1960, up from $12,500 in 1950. Most farms operated by full-time farmers have electricity, tractors, and other equipment and conveniences.

Milk, the leading farm product in Alaska, accounted for about half of Alaska farmers' receipts from sales of farm products in 1959 (table 7). Potatoes produced about a sixth and eggs an eighth of total receipts. Sales of animal products other than milk and eggs accounted for slightly more than a tenth of total receipts, and sales of lettuce, cabbage, carrots, and other vegetables and greenhouse and nursery products contributed a little less than a tenth.

Sales of meats (Alaskan farmers sell mostly farm-slaughtered meats rather than meat animals) are largely limited to beef from slaughtered cull dairy cows, fresh pork, reindeer meat, and hens. Reindeer are raised commercially in a few herds in western Alaska. These animals supply a significant part of the meat supply of the native population. Small quantities of range beef from Kodiak and Cherikof Islands are marketed in Anchorage. A few farmers, mostly

1/ Prepared by H. P. Gazaway, agricultural economist, Marketing Economics Division, Economic Research Service.

Table 7.--Receipts from sales of farm products, Alaska, 1959

Product	Tanana Valley	Matanuska and Anchorage areas	Southeast Alaska	Other	Total
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Milk	175.4	1,438.2	141.6	15.9	1,771.1
Eggs	60.3	178.8	73.5	111.1	423.7
Poultry meat	3.6	9.0	1.8	6.9	21.3
Beef	10.8	44.0	9.6	59.1	123.5
Pork	8.0	65.3	---	5.5	78.8
Lamb and mutton	---	1.0	---	3.5	4.5
Reindeer meat	---	---	---	134.4	134.4
Wool	---	.2	---	62.0	62.0
Fur	---	---	50.0	---	50.0
Potatoes	107.9	447.8	.7	22.5	578.9
Other vegetables	18.9	201.4	4.9	19.2	244.4
Greenhouse and nursery products	9.8	7.7	.8	1.5	19.8
Total	394.7	2,393.4	282.9	441.6	3,512.6

Alaska Division of Agriculture, Farm Production, Alaska--1959.

in the vicinity of Anchorage, sell fresh pork. Wool has been produced on the Aleutian Islands since before World War II and shipped to Portland and Seattle. A few farms in southeastern Alaska produce fur-bearing animals, but revenue from sales of fur is small. A considerably larger quantity of furs is obtained by trapping wild animals. Except for growing potatoes and other vegetables, cropland is used to grow feed for dairy cows, mainly hay and silage.

The Matanuska Valley is the principal agricultural area in Alaska. This valley surrounds Palmer, which is 48 miles northeast of Anchorage. In 1935 the Federal Government seattled 202 farm families in this region, causing a big expansion in the agricultural production of the area. Several of these settlers still farm there. Farmers in the Matanuska Valley and a few near Anchorage accounted for about 68 percent of the value of farm products sold in 1959. These farmers supply mainly the Anchorage market and the Armed Forces. The Tanana Valley around Fairbanks accounted for about 11 percent of the total revenue, and the southeastern region about 8 percent. The remaining 13 percent was contributed by farms in the Kenai Peninsula, Kodiak Island, and other areas.

Marketing Alaskan Farm Products

Alaskan farmers generally do not produce a larger volume of food products than can be sold to consumers in nearby areas. To sell in more distant markets, farmers would have to take lower prices for their products. With existing production and transportation costs, production for distant markets would not be profitable. Alaskan food products generally are not shipped between those areas of the State where water transportation is used. Also, direct water transportation often is not available from Anchorage or Seward to Bethel or Nome or to ports in southeastern Alaska--shipments have to go through Seattle. Farm products produced in the interior of Alaska have a transportation disadvantage in competing with products from other States in the markets of southeastern Alaska.

Most Alaskan farmers market their products through a farmers' cooperative or sell them directly to retailers, consumers, or the Armed Forces. There are few processors and few middlemen who deal in farm products in Alaska. Farmers' cooperatives handle approximately 90 percent of the fresh milk and half of the potatoes and other vegetables. The Matanuska Valley Farmers' Cooperating Association of Palmer markets milk in Anchorage, Fairbanks, and other areas. Producers individually market most of the eggs and meats directly to retailers and consumers. A cooperative marketing organization in Oregon handles most of the wool. Fur producers ship directly to buyers in other States.

The Market for Food in Alaska

Population

Alaska had 226,000 inhabitants in 1960, up from 128,600 in 1950. This increase of 76 percent compares with an increase of 18 percent for the entire United States. Although few of the 1960 Census data are available for Alaska, it is evident that much of the growth in the State's population resulted from migration from other States, caused directly and indirectly by increases in defense and other Federal expenditures. The establishment of a woodpulp industry in southeastern Alaska also attracted migrants. It is likely that the native population increased substantially, mainly because of a reduction in the infant mortality rate and an increase in life expectancy at other age levels. The native population--

Eskimos, Indians, and Aleuts--made up about a fifth of the total population in 1960.

Less than 1 percent of the population lived on farms in 1960. The proportion in urban areas has increased since 1950. Though only about two-fifths of the population in Alaska was urban in 1960, a considerably larger proportion lived in towns and villages too small to be classed as urban by the Census definition (places having 2,500 or more inhabitants).

Alaskans, in general, are a young people. Few are older than 65. Not many of the inhabitants, except those of native stock, were born in the State. Of those who migrated, few have been in Alaska more than 20 years; most came during or since World War II. Though people came from every State, most came from west of the Mississippi.

The population, both civilian and military, is largely concentrated in south central Alaska near Anchorage and Fairbanks. These cities are connected by the Alaska Railroad. The area between them is called the "Railbelt;" it contains almost two-thirds of the State's population.

A Profile of the Leading Cities

Anchorage, Alaska's largest city, had a population of about 44,000 in 1960. It serves a trading area that includes perhaps 90,000 inhabitants. The Armed Forces, which maintain two large installations there, are the principal source of income. Merchants of the city are intent on making it the main trading and wholesale center for interior and western Alaska. The Census of Business showed that Anchorage had 96 wholesale establishments of all types in 1958, compared with 13 in 1948. Establishments selling groceries made up the largest group. Seaport facilities are being constructed at Anchorage. The city has become an international air crossroads with flights to all points of the compass--Tokyo, Copenhagen, Paris, New York, and San Francisco. The area has a marine-type climate with an annual snowfall of 60 inches and total precipitation of 14 inches. Oil and gas were discovered in 1957 on the Kenai Peninsula, 40 air miles southwest of Anchorage. Explorations for oil have stimulated business in Anchorage.

Fairbanks, the second largest city, is located 360 miles north of Anchorage. It had a city population of 13,300 in 1960 and close to 50,000 in the trade area. The city is the terminus of both the Alaska Railroad and the Alaska Highway. Military payrolls dominate the local economy. Two large military installations are in the area. The DEW line (Distant Early Warning radar system) stations and two sizeable defense installations are supplied largely through this city. Fairbanks is 130 miles south of the Arctic Circle; it is the jump-off place for the Arctic. The University of Alaska is situated 4 miles west of Fairbanks. The city originally developed as a gold mining center, but the gold mining industry is declining. Several dairy farms are being developed in the Tanana Valley near Fairbanks. Eggs, potatoes, vegetables, and feed grains are also grown. Farming developed there before World War I.

Juneau, the capital city, originally developed as a gold mining town, but its economy now depends mainly on State and Federal payrolls, fishing, tourism, and lumbering. Nearly 10,000 people live in the Juneau trading area. Juneau residents anticipate the location in their area of a pulpmill similar to pulpmills in Ketchikan and Sitka. The Juneau area is not connected to the rest of Alaska by a highway or railroad. From June to October, it is linked with Haines and the Alaska Highway by ferry boat. Juneau is a port of call for ocean carriers, and it has regularly scheduled flights to Seattle, Anchorage, and Fairbanks. At the last election Alaska voters approved a $23 million bond issue to establish a ferry boat system for southeastern Alaska and provide service between Kodiak and the Kenai Peninsula. When this system is established Juneau residents and visitors will have easy

access to the Alaskan and Canadian highway systems. At the same election the voters defeated a referendum to move the capital to south central Alaska. Four modern dairy farms supply the area with milk and ice cream. Several farmers produce eggs, vegetables, and potatoes.

Ketchikan, the salmon capital of the world, is the first port of call for Alaska bound water or airborne travelers. It is located on an island near the southeastern tip of the Alaska panhandle and is 90 miles from the nearest rail and highway terminus, Prince Rupert, B.C., and 600 miles north and west of Seattle. Distances from Ketchikan to other points in Alaska show the State's immense size. Point Barrow and Nome are 1,400 miles north and west; Attu, the tip of the Aleutian Islands, is some 2,400 miles west, almost directly north of New Zealand. Air service via float planes to nearby Annette Island connects Ketchikan with Alaska-Seattle flights. Ketchikan had 6,500 inhabitants in 1960. The city serves a trading area with a population of about 10,000. Major industries, in addition to fishing and salmon canning, are lumbering and woodpulp manufacturing. Pulp is loaded in rail cars at the pulpmill and barged south to Prince Rupert, where rail shipment to other States begins. An important function of the food trade in Ketchikan is supplying lumber camps, fishing boats, and Coast Guard boats. Agriculture in the area is limited to the production of eggs, vegetables, floral and nursery plants, usually by part-time operations. Land suitable for cultivation is scarce and heavily timbered and would require drainage and large quantities of fertilizer for crop production.

Consumer Incomes, Employment, and Expenditures

Disposable income per person has averaged close to $2,500 in Alaska in recent years, compared with other States' average of about $1,900. Most of the income in the State is in the form of wages and salaries, which are higher than in other States. But living costs also are higher in Alaska. A study in 1959 indicated that living costs in Alaska's leading cities, relative to those in Seattle, varied from 19 percent higher in Ketchikan to 48 percent higher in Nome. 2/ Approximately 90 percent of the goods Alaskans buy are shipped from other States, mostly through Seattle. (See p. 22). Alaskans spend a larger proportion of their income for food than do consumers in the other States. Reasons other than higher prices, are the larger proportion of workers employed in nonsedentary jobs, the large proportion of active, outdoor people, and the cold winter climate.

The Federal Government is by far the largest source of employment in Alaska. Federal expenditures, largely for defense, have averaged about $400 million annually in recent years, or $1,500 to $2,000 per capita. Construction of defense installations has been a major source of employment. The number of Armed Service personnel stationed in Alaska exceeds the number of Federal and State Government employees, the largest group of civilian employees in the State. The largest group of non-government employees are in retail and wholesale trade. Construction and transportation rank next, followed by manufacturing. Salmon canneries, pulpmills, and sawmills afford most of the manufacturing employment.

The Military Market

The quantity of many consumer goods bought by or for members of the Armed Forces stationed in the Railbelt may equal that bought by the civilian population. The Armed Forces buy goods for troop issue and for resale in post commissaries, exchanges, and clubs. In recent years the military services have been the Alaska farmers' major customer. Products sold to the military generally bring lower prices than sales to other buyers. In 1960 farmers in the Matanuska

2/ Alaska Department of Natural Resources, 1959 Consumer Price Index in Seven Alaskan Cities.

Valley contracted to supply troops in the Anchorage area with fresh milk rather than recombined milk. This action obligated these farmers to increase their production by a half. The Seattle Military Subsistence Supply Agency ships food items from other States to five commissaries in Alaska via water and rail and by truck over the Alaska Highway, a mode of shipment that has increased in importance in recent years. To supply troops in the Fairbanks area last fall, fresh milk was hauled over the Alaska Highway from Rochester, Minnesota, a distance of about 3,300 miles.

Marketing Facilities and Channels

Transportation

Transportation has particular significance for Alaska because of the great distance between points in the State and to points in other States from which Alaskans import most of the goods they buy. The frequent lack of back-haul shipments makes high transportation rates between Alaska and other States. Also because of provisions in the Merchant Marine Act of 1920, shipments between points in other States and Alaska must be in ships of American registry, thus preventing use of foreign ships that offer lower rates. Transportation facilities and the handling of shipments have greatly improved since World War II.

In addition to steamship transportation, Alaska is served by barges along the Inside Passage from Seattle and Prince Rupert, B. C. Extensive use is being made of van containers. After a van container is loaded it is mounted on a tractor-drawn trailer chassis and hauled to shipside. The loaded van is lifted on the ship's deck for the ocean part of the voyage. On arrival at an Alaskan port, the van is lifted to a railroad flat car for further shipment, then transferred again to a tractor-drawn chassis for delivery to its final destination. Barges, as well as steamships, carry van containers. Refrigerated vans are used for perishables.

The Alaska Railroad joins Seward and Whittier, the later mainly a military port, with Anchorage and Fairbanks. Branch lines run to Palmer and a few other points near the main line. The railroad provides frequent freight service from the two ocean ports to Anchorage and Fairbanks. The Federal Government built the Alaska Railroad in the early 1920's and has operated it since it was constructed. A narrow gage railroad connects Skagway in southeastern Alaska with Whitehorse in the Yukon Terrotory.

Paved all-weather roads connect the major towns and cities in central and south-central Alaska. The Richardson Highway, Alaska's most heavily traveled road, connects Fairbanks with the ports at Valdez and Seward. The Alaska Highway gives Alaska an all-year-round route to the other States, although it is not a paved highway. Out-of-state truck shipments usually originate either in Seattle or in the Minneapolis-St. Paul area.

Air transport for freight and passenger service is much used both between other States and Alaska and within Alaska. It is the only transportation available for many towns and villages. Air transport is particularly suitable because of long distances and the limitations of surface transportation facilities. Most towns and villages have landing strips. Alaska has more than half of the world's sea planes.

Alaska has 3,500 miles of inland waterways. River boats formerly were Alaska's principal means of inland transportation, but river traffic has declined steadily. Barges now operate on the Yukon, Kuskokwim, Tanana, and other rivers during summer and early fall.

Shipping costs include more than the actual freight rate. For shipments by water carrier, these costs comprise

wharfage and handling at both ends of the voyage, marine insurance, taxes, and in some instances special crating, packaging, and handling costs. Costs resulting from delay in transit and from pilferage, shrinkage, and spoilage also may be incurred.

Transportation charges for combination water and rail shipments of selected food products and farm supplies from Seattle to Anchorage and Fairbanks are given in the tabulation below:

Commodity	Anchorage Dol. per 100 lb.	Fairbanks Dol. per 100 lb.
Groceries:		
Group 1	2.85	3.69
Group 2	3.10	3.94
Potatoes and onions	2.61	3.21
Fresh meats	7.15	8.84
Fresh fruits and vegetables	6.83	7.74
Lumber	2.12	2.60
Cement	2.09	2.59
Gasoline	2.33	3.31
Hay or straw	2.56	3.25
Grain or mixed feeds	2.58	3.17

These charges were in effect in 1960, and included the basic minimum carload freight rates per 100 pounds and loading and wharfage charges. Valdez, Seward, Anchorage, Palmer, Fairbanks, and other cities along established supply lines received delivery from Seattle in a minimum of 4 to 7 days after ordering.

It is more expensive generally to ship goods into Alaska by truck than by water. Rates on perishables trucked from Seattle to Fairbanks over the Alaska Highway are as high as $9.50 per 100 pounds. One trucking firm advertises that its trucks make this run in 3 1/2 days under all weather conditions. Trucks on this run must provide for refrigerating perishables at the journey's start and keep them from freezing at trip's end.

Air freight is considerably more expensive than surface transportation but the saving in time may justify its use for perishables. Air shipment of perishables reduces the costs of spoilage and packaging. Air freight rates from Seattle to Alaska vary from 15 to 35 cents per pound.

Retailers and Wholesalers

Foods and, perhaps to a lesser degree, most other consumer goods are retailed in Alaska much the same as in cities of a similar size elsewhere--the same commodities, brands, packaging, and similar services. Most retail outlets found in cities of similar size in other States are in the major Alaska cities. These cities are well supplied with retail food stores, some of which are in the supermarket and superette classes. One of the national chains has two supermarkets in Anchorage, but most of the stores are locally owned chains and independents. Stores in southeastern Alaska provide more credit and services than is common for stores in other areas. Traditionally, fishermen have bought goods on credit extending from one fishing season to another. But stores in Juneau and Ketchikan provide less credit and delivery services than formerly.

The larger retail food stores order merchandise from wholesale firms in Seattle and other West Coast cities. Even in Anchorage, where local wholesalers handle most food items, most merchants still order certain types of merchandise from out-of-state suppliers. Some ordering is direct, but most of it is through brokers or salesmen who make regular trips to call on Alaska retailers. Some

out-of-state firms have salesmen or other representatives permanently located in Alaska. Merchants along the Arctic Coast who receive only one or two deliveries each year have larger ordering, storage, and inventory problems and costs than those who receive more frequent deliveries. Local wholesalers serve smaller stores and institutional buyers and provide fill-in orders and some lines for the larger stores. A few years ago most of the stores in the smaller towns and villages ordered merchandise directly from mainland sources, but now more order from Alaskan wholesalers and from retailers in the cities. Total sales of Alaskan merchant wholesalers of groceries and related products were 43 percent larger in 1958 than in 1954.

Prices of Food Products

Retail Prices

Prices of food in retail stores are considerably higher in Alaska than in Seattle, the city from which much of the food consumed in Alaska is shipped. Food prices vary considerably among the major Alaskan cities (table 8). In 1960 a "market basket" of food cost 18 percent more in Ketchikan than in Seattle and 68 percent more in Nome.

Transportation costs mainly account for these price differences, and transportation costs are affected by the distance and volume of shipment and the mode of transport. Shorter distances from Seattle account in part for prices generally being lower in the southeastern Alaskan cities, Ketchikan and Juneau, than in Anchorage and Fairbanks. Cities that receive most of their supplies by surface carriers have lower prices than those that depend more on airfreight. Ketchikan, for example, has frequent steamship service, so even perishable products can be obtained mainly by water. But merchants in cities that have less frequent steamship service must rely mainly on airfreight for shipping perishables. Nome has only one steamship call a year and therefore depends on airfreight for delivery of fresh milk, eggs, fresh fruits and vegetables, and other foods that cannot be stored. In addition to greater distance, dependence on airfreight is another reason for prices being higher in Nome than in Ketchikan and Juneau.

Prices of fresh meats and fruits and vegetables are higher in Alaska relative to Seattle prices than canned goods and dry groceries. This difference is largely explained by transportation costs, which are greater for the fresh products even when surface carriers are used (p. 21).

To the extent that retailers take percentage markups, differences in shipping costs have a magnified effect on retail prices. Thus, products that have higher shipping costs may also have higher dollars-and-cents markups.

Labor and most other costs are higher in Alaska than in other States. Prices also are affected by competitive situations among stores and by competition between locally produced and imported food products. Quality differences also influence some price differentials among cities. For example, most of the beef sold in Nome is frozen, which accounts for prices of beef being lower in Nome than in Fairbanks where reported prices are for fresh beef. Competition with reindeer meat may also be a cause of lower prices for beef in Nome.

Retail prices of food in the major Alaskan cities were slightly lower in 1959 and 1960 than in 1953 and 1954 (table 9), although the average level of retail food prices increased in the United States. Prices in Alaska also declined relative to prices in Seattle. The quality of food products and services improved during this period and a wider variety of merchandise was offered to consumers.

The decline in prices and improvements in quality and services were made possible

Table 8.-- Retail prices of selected foods and total cost of one unit of each food, major Alaska cities and Seattle, and ratio of Alaska city totals to total cost of items in Seattle, 1960 1/

Food Item	Unit	Seattle	Ketchikan	Juneau	Anchorage	Fairbanks	Nome
		Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Bread	1½ lb.	.35	.42	.47	.47	.45	.55
Ground beef	Lb.	.51	.68	.62	.68	.80	.86
Round steak	Lb.	1.12	1.08	1.12	1.50	1.70	1.31
Chuck roast	Lb.	.67	.73	.74	.84	.98	.92
Bacon	Lb.	.67	.75	.78	.83	.89	.98
Butter	Lb.	.74	.80	.77	.85	.91	1.08
Milk, fresh	Qt.	.24	.36	.35	.42	.50	.79
Milk, evaporated	14½ oz can	.16	.18	.18	.19	.22	.23
Ice cream	Qt.	.53	.87	.73	.74	.86	1.01
Eggs, large A	Doz.	.59	.65	.64	.68	.83	1.04
Apples	Lb.	.18	.25	.29	.31.	.31	.49
Bananas	Lb.	.18	.32	.39	.36	.44	.66
Oranges	Lb.	.19	.25	.29	.30	.29	.46
Strawberries, frozen	10 oz.	.25	.32	.32	.33	.41	.44
Potatoes	Lb.	.08	.10	.10	.11	.10	.18
Carrots	Lb.	.15	.21	.23	.24	.30	.50
Peaches	No. 2½ can	.32	.40	.43	.46	.56	.55
Orange juice	46-oz can	.48	.60	.67	.68	.82	.88
Peas	No. 303 can	.20	.24	.28	.30	.33	.32
Pork and beans	16-oz can	.15	.21	.21	.23	.27	.25
Coffee	Lb can	.75	.78	.76	.79	.88	1.02
Salad dressing	Qt.	.76	.75	.70	.77	.94	.94
Oleo	Lb.	.29	.34	.29	.25	.36	.43
Sugar	10 lbs.	1.20	1.42	1.55	1.52	1.74	2.16
Jello	Pkg.	.09	.10	.11	.12	.13	.14
Total		10.85	12.81	13.02	13.97	16.02	18.19
Percentage of Seattle cost		100	118	120	129	148	168

1/ Annual data are averages of prices for March, June, September and December, except that prices for June were not available for Juneau.

Compiled from Quarterly Report on Alaska's Food Prices, University of Alaska Agricultural Extention Service and Retail Food Prices by Cities, Bureau of Labor Statistics.

Table 9.--Retail cost of market basket of food in three Alaskan cities and ratio to cost in Seattle, 1953-54 and 1959-60 1/

Year	Juneau		Anchorage		Fairbanks	
	Cost	Ratio	Cost	Ratio	Cost	Ratio
	Dollars	2/	Dollars	2/	Dollars	2/
1953	13.33	126	14.77	140	16.45	156
1954	13.47	126	14.76	138	16.36	153
1959	13.22	119	14.49	130	16.03	144
1960	13.01	119	13.97	128	16.02	146

1/ Market basket includes 1 unit of each food product listed in table 2; annual data are averages of prices for last month of each quarter.
2/ Cost of market basket in Seattle = 100.

Compiled from Quarterly Report on Alaska Food Prices, University of Alaska Agricultural Extension Service and Retail Food Prices by Cities, Bureau of Labor Statistics.

through improvements in transportation, greater volume in wholesale and retail outlets, and improved efficiency in the local food trade. Store facilities were modernized and enlarged; procurement practices were made more efficient; and competition increased. "Specials" were offered more frequently. (Weekend special prices, however, are not reflected in data in tables 8 and 9). Increased local food production also was a factor in bringing down prices. Alaska-grown potatoes and vegetables often sell for less than similar imported items.

Prices Received by Farmers

Prices received by farmers for food products, like retail prices are higher in Alaska than in other States. Exactly how much higher is not known, since official price data are not available for Alaska. Farmers' prices skyrocketed after World War II when prices controls were removed, but they rose more slowly during the Korean War. They were fairly stable during the last 5 years. As would be expected, prices of fresh milk and other livestock products varied less from season to season than prices of potatoes and vegetables. Typical prices

received by farmers in the Matanuska valley in 1959 were:

Product	Unit	Dollars
Milk, fresh, 4 percent butterfat	100 pounds	10.50 - 11.50
Eggs, fresh, Grade A large	dozen	.80 - .90
Potatoes, U. S. No. 1	100 pounds	5.50 - 6.50
Carrots	pound	.10 - .12
Cabbage	pound	.10 - .15
Head lettuce	pound	.10 - .15

The regional pattern of variation in prices received by farmers is similar to that in retail prices of foods. Thus, farmers' prices in the Kenai Peninsula and the southeastern Panhandle tend to be 10 to 20 percent lower than those in the Matanuska Valley, which mainly supplies the Anchorage market and military installations in the area. Prices in the Tanana Valley, near Fairbanks, are 10 to 15 percent higher than those in the Matanuska Valley. A similar geographic pattern in farm and retail prices would be expected, because Alaskan products are sold to nearby retailers and consumers and must compete with imported products. Since the geographic pattern of prices of imported products is established mainly by transportation costs, these costs indirectly influence geographic differentials in prices received by farmers.

Alaskan farmers, who perform more marketing services than farmers in other States receive a larger share of the consumer's food dollar. A larger proportion of farmers in Alaska sell directly to consumers and, thus, receive all the consumer's dollar. Do-it-yourself marketing, however, requires allocating to marketing activities labor, time, and capital that the farmer could otherwise devote to producing farm products. Marketing through a farmers' cooperative involves an investment in the cooperative's facilities and working capital.

The Market for Farm Supplies

For fertilizer, farm implements, building materials, and farm supplies Alaskan farmers pay more than do farmers in other States. Generally the prices of these items in Alaska are based on the the wholesale price at Seattle, plus shipping costs and dealer mark-up. In addition to manufactured items, some Alaskan farmers import grain and hay for livestock feed. Individual farmers often order directly from a dealer in another State, or through a representative of a dealer. But direct ordering often involves considerable effort, advanced planning, and capital outlay. Dealers handling farm supplies like fertilizer, seeds, feeds, and farm implements are found only in Palmer, Fairbanks, Anchorage, and Homer. The Matanuska Valley Farmers' Cooperating Association is the only sales organization that carries a complete stock of farm supplies, equipment, and parts.

Prospects for Increased Production and Marketing of Alaskan Food Products

Agricultural growth during the 1960's may be comparable to that of recent years. Most growth will occur through enlarging existing farms rather than developing new ones. The greater part of any increase in the quantity of farm products is likely to come in commodities presently produced--fresh milk, eggs, potatoes and vegetables. Unless there is a greater influx of new residents than is now anticipated, the additional cropland required during the next 10 years will not exceed 10,000 acres.

Alaska has the potential for a sizable agriculture. More than a million acres of land is suitable for clearing and cropping. An additional 3 to 5 million acres of range, located largely in southwestern Alaska, could be used for year-round grazing of cattle or sheep. However, much of the land suitable for agriculture is in small, scattered acreages and much is remote from markets. These conditions retard development at present, but eventually much of this great area may be included in farms.

Development of raw timberlands into paying farm land requires hard work, a lot of capital and confidence. The high cost of clearing the land and of building materials, farm implements, and other farm supplies that must be imported makes Alaskan agricultural production a high cost operation.

In view of the high production costs and large capital investment required in Alaska, compared with other States, it is doubtful if local farmers can appreciably increase their share of the local market for food. Any big increase probably would necessitate growing food products that require more processing, or selling in more distant markets, both of which would mean lower net returns per unit of product. Substantial increases in the volume Alaskan farmers can sell profitably probably must await growth of local or export markets.

A gradual increase in beef and sheep numbers during the next decade is anticipated. Eventually, Alaskan production may provide a significant part of the State's meat supply. Retail meat sales in recent years in the State may have equaled $9 million. At present, Alaskan farmers supply less than 5 percent of the meat sold commercially. It may become feasible to export grass-fat beef or lambs as well as wool to the west coast States or possibly Japan. Any significant increase in sales of fresh milk depends chiefly upon supplying the total requirements of the Armed Forces. If this is realized, a greater acreage planted to grain and roughages will be necessary for feeding dairy cows.

As long as the volume of farm products remains small, farmers probably will have to continue to do most of their own marketing, if a farmers' cooperative marketing organization is not available. At present the volume of products in most areas is too small to permit profitable operations by assemblers, processors, and other dealers in farm products.

Growth Through Agricultural Progress